

STATEMENT

INSURANCE ASSOCIATION OF CONNECTICUT

Transportation Committee

March 8, 2013

**HB 6558, An Act Concerning The Quick Clearance Of State Highways,
Towing and Transporting**

The Insurance Association of Connecticut, IAC, is strongly opposed to HB 6558, An Act Concerning The Quick Clearance Of State Highways, Towing and Transporting, as it will dramatically increase towing rates paid by all Connecticut consumers.

Section 1 of HB 6558 seeks to unnecessarily alter the process for the establishment of rates and charges for non-consensual tows and storage. Since 1997, due to rampant abuses and to protect consumers from unscrupulous towing facilities, the Department of Motor Vehicles, DMV, has been vested with the authority to establish uniform rates and charges for non-consensual tows and storage. DMV is best suited for setting such rates and charges as it has the knowledge and expertise to appoint such rates and the ability to enforce any violations of the established rates. Changing the current process is unwarranted.

Towers voluntarily agree to be placed on a rotation list giving them access to tows that are done without the owner's consent, or non-consensual tows. Existing law clearly defines what services are incorporated into the base tow rate and associated storage. HB 6558 seeks to improperly amend the current process by severely curtailing DMV's authority to regulate those rates and towers' behavior. HB 6558 eliminates the use of a maximum base rate by unbundling the services incorporated into the base rate. HB 6558 drastically restricts what DMV can consider when setting such rates and permits individual towers to set their own rates, while absolving them from liability for any damage they cause during such tow.

DMV has protected the Connecticut driving population from excessive towing and storage fees and unwarranted charges that have been added to non-

consensual towing bills for years. Towers have improperly billed for such things as: releasing one's vehicle, escorting a person to their car to retrieve personal items, and moving the car on the tower's lot, all services that are part and parcel of the base tow rate. Matter of fact, the use of such an unauthorized fee known as "gate fees" became so prolific in 2003, a cease and desist letter was issued by DMV. The towing industry became creative and began inventing new unauthorized fees that some added to the non-consensual tow bill so much so that in 2007 Commissioner Ward had to send a letter reminding the towing industry what constitutes permissible charges and warning that continued use of unauthorized fee would result in swift enforcement action. Unfortunately, to this day, shops still continue to disregard the law by charging unauthorized fees, as evidenced by the numerous complaints DMV handles each year. HB 6558 only serves to legitimize that practice. Permitting unchecked charges can add hundreds of dollars of extraneous fees to a tow bill which will increase loss costs, resulting in driving up the cost of insurance in Connecticut. Shops may hold the car hostage until all charges are paid. As such, insurers and the driving public will have no choice but to pay the charges.

It is reported that the changes contained in HB 6558 are needed because the towing industry is not being fairly compensated; however, CT law permits the towing industry to petition DMV to amend the established uniform rates when they are no longer just and reasonable. The towing industry has availed itself to this process many times over the years with a direct impact on the established rates. In fact, in 2008 when the towing industry petitioned for a rate increase due to rising fuel costs, DMV responded by not only changing some of the base rates, but by adding a fuel surcharge, that is still in use today. Although the towing industry is limited to being able to petition for rate changes once every two years, the last time such a petition was filed was in 2010. DMV has, however, routinely rejected the towers' request to permit charging for services that would amount to an unbundling of the base rates, similar in nature to the concept embodied in HB 6558. As such, instead of following statutory process for rate review, the towing industry is attempting to circumvent DMV by seeking

legislative approval of the anti-consumer fees and charges that DMV has rightfully rejected.

Not only does HB 6558 curtail DMV's authority to set rates, it essentially permits the towing industry to self-define the rates they charge for non-consensual tows and storage, while removing their liability for any damage they may cause while towing such vehicles. HB 6558 sets the minimum rate to be "no less than the expense incurred" by any tower, thus negating DMV's established maximum rate. Non-consensual rates will no longer be uniform, as intended by the legislature, as they will vary with the expenses of each individual tow operator. DMV will simply serve to rubber stamp the rate submitted by each tower, much like the process pre-1997, which was not beneficial for Connecticut drivers.

There is no justifiable reason to support changing the current system which essentially authorizes towing facilities to set their own rates and charges. It provides absolutely no consumer benefit, while stripping DMV of its regulatory oversight. It creates a system that is ripe for abuse.

The IAC urges your rejection of HB 6558.